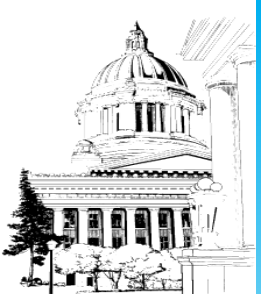




School Employees' Benefits Board

David Pringle
Office of Program Research
January 24, 2019



SEBB consolidates health benefits purchasing for school district employees beginning 1/1/2020

- Health benefits for school district, educational service district, and charter school employees will be purchased by Health Care Authority under the direction of the new School Employees' Benefits Board (SEBB).
- Collective bargaining for school employee health benefits is consolidated to a single agreement negotiated between the Governor (or designee) and representatives of all school employee labor organizations – subject to approval by the Legislature.
- Premiums, eligibility rules, plan designs and providers are established by the SEBB board for all covered employers and employees.



2011 SAO Performance Review of K-12 Employee Health Benefits

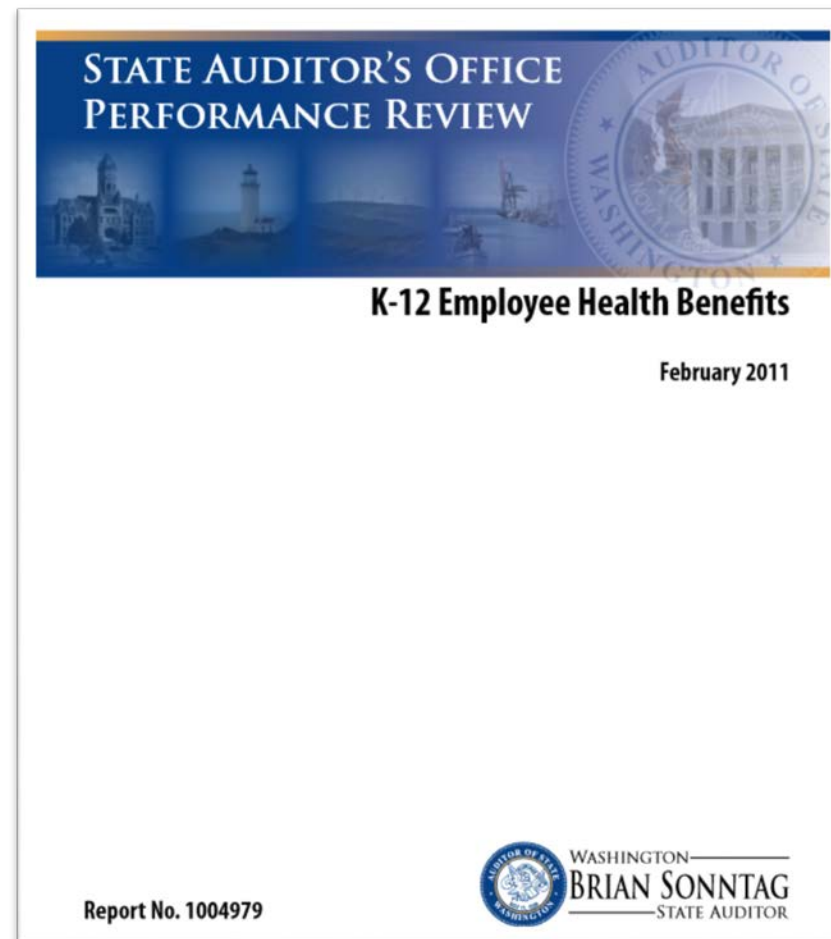
House
Appropriations
Committee

➤ Key Findings:

- Premiums for full-family coverage are on average much higher than single coverage.
- The current system for funding is complex and confusing.
- Significant savings are available from standardizing coverage and restructuring to a statewide program.

➤ Main recommendations:

- Streamline the benefits array to improve efficiency, transparency, and stability.
- Standardize coverage levels for more affordable and equitable health care benefits.
- Reduce costs by restructuring the health benefits array.





The 2012 Legislature enacted ESSB 5940, beginning a data gathering and analysis project on K-12 Health Benefits

Goals:

1. Improve transparency on use of at the state and local funds.
2. Create greater affordability equity between full family coverage premium costs and for employee only coverage – with a goal of a 1:3 ratio.
3. Promote innovation and cost savings, and significantly reduce administrative costs.
4. Provide greater parity between state employee and K-12 employee health benefits.

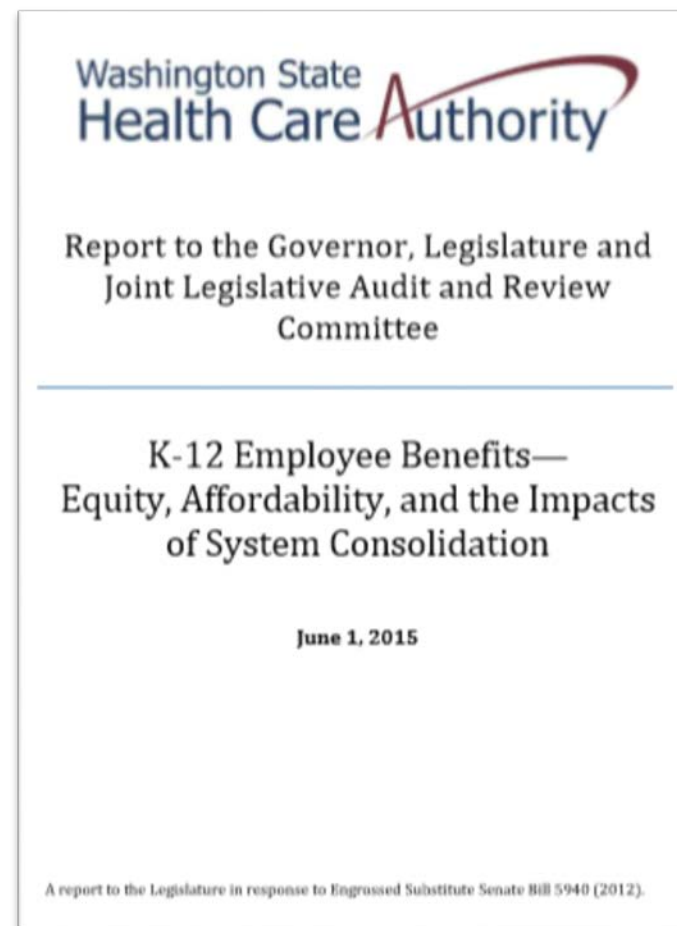
Reports:

1. **Office of the Insurance Commissioner** – gather data and report annually on school district health plans.
2. **Health Care Authority (HCA)** – Analyze options for consolidating K-12 employee health care.
3. **Joint Legislative Audit and Review Committee (JLARC)** – Report to the Legislature on school district progress towards goals.



2015 Health Care Authority K-12 Employee Benefits - System Consolidation Study (ESSB 5940 (2012))

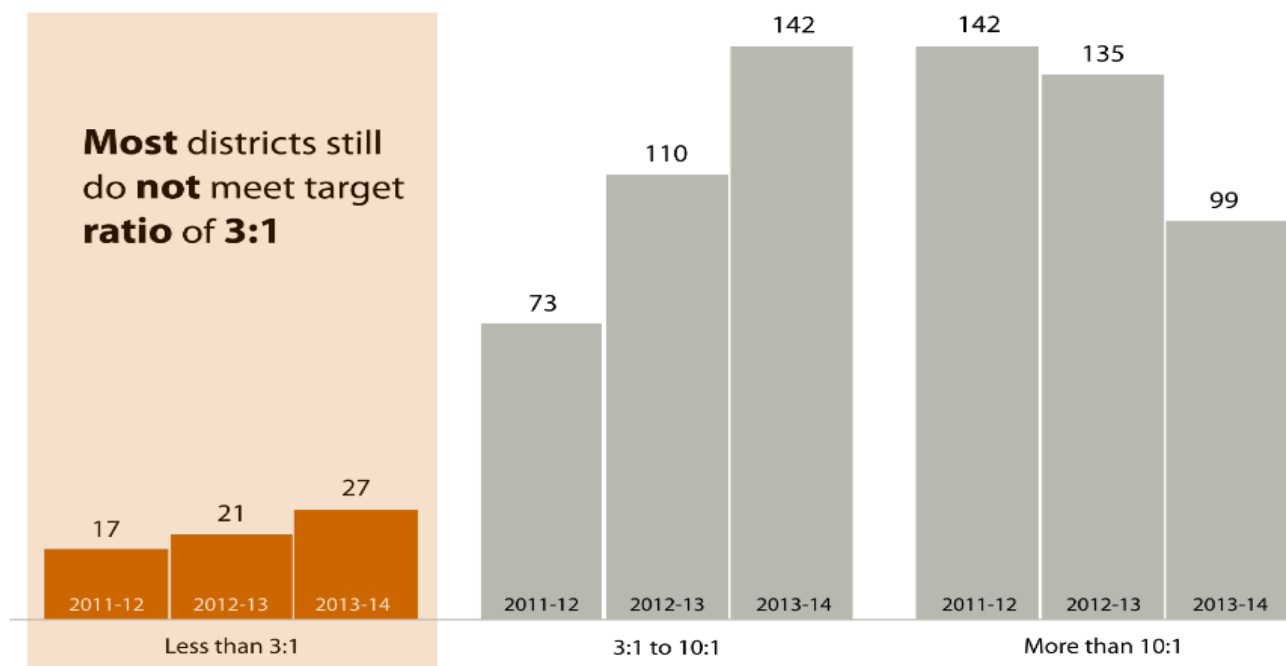
- Consolidation would achieve the legislative goals, including more equitable premiums for employees.
- Both PEB and SEB consolidations would result in higher employer costs but the SEB consolidation was probably less costly than a PEB consolidation with less impact on PEB members.
- Consolidation would result in 31,000 additional covered lives, mostly dependents and classified employees who previously waived coverage.



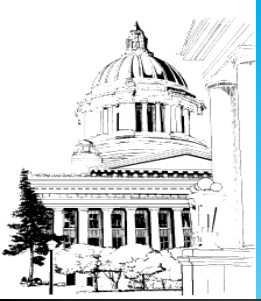


2016 JLARC Report: K-12 Health Benefits

- School districts and collective bargaining units have made slight improvement in equity and affordability for full-family coverage, but most have not met target.
- Consolidation and other options may improve equity and affordability.

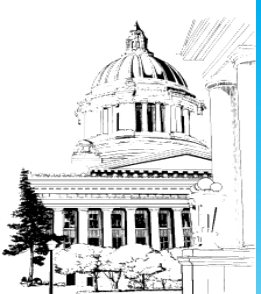


Source: JLARC staff analysis of OIC data. Of the 295 districts, data was available for 232 districts in 2011-12, 266 districts in 2012-13, and 269 districts in 2013-2014.



What does the 3:1 ratio mean for employee premiums?

- Most school districts distribute funds to employees on a “defined contribution” model, with each employee receiving a defined number of dollars to spend on an employee benefit package.
- The amount is often prorated by the percent of full-time that the employee works (method varies by district and bargaining unit), and is the same dollar amount regardless of individual, couple, or family enrollment.
- State employees pay a nearly level percentage of the cost of benefits (15 percent), so family coverage in PEBB typically costs about triple the cost of individual coverage.



SEBB introduces a different financial system for funding and purchasing health benefits

- School Employee Funding Rate: Amount that will be paid by participating K-12 employers for each benefits-eligible employee, regardless of funding source.
- K-12 Benefit Allocation: Amount allocated per basic education FTE in the state school funding model.
- K-12 Benefit Allocation Factor: How many benefit allocations are made per FTE in the state school funding model. Historically 1.15 for classified FTEs, 1.0 for certificated FTEs.
- Employer Medical Contribution: Amount the employer contributes to an employee's benefits – may be expressed as a dollar, or a determinative formula (percentage share of costs, for example)
- Employee Premium Contributions: The amount employees will contribute on a monthly basis. Will vary by plan chosen and enrollment tier.



A defined contribution approach – used in many school districts – treats health benefits more like salary, with employer contributions even per employee, and employee costs varying greatly by enrollment tier

Example of employee health benefit contributions, Seattle School District 2018-2019 Open Enrollment

	<u>Employer Contribution, full- time Certificated EE</u>	<u>Dental, Vision, basic life and LTD</u>	<u>KPWA Access Plus</u>	<u>Employee Cost</u>	<u>Employee premium as percentage</u>
Employee Only	\$928	\$120	\$694.18	(\$353.82)	0%
Employee & Spouse/Partner	\$928	\$120	\$1,345.71	\$297.71	22%
Employee & 1 Child	\$928	\$120	\$970.01	(\$77.99)	0%
Employee & Children	\$928	\$120	\$970.01	(\$77.99)	0%
Employee, Spouse & 1 Child	\$928	\$120	\$1,621.54	\$573.54	35%
Employee, Spouse & Children	\$928	\$120	\$1,621.54	\$573.54	35%

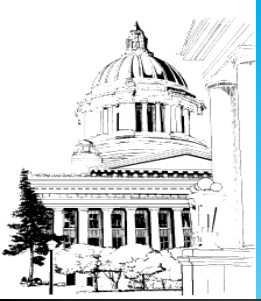


The PEBB approach keeps employee premiums at a relatively level cost regardless of participation “tier”

House
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Committee

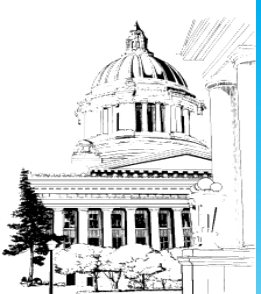
Uniform Medical Plan Classic Employee Premiums and Estimated Employer Cost, CY 2019

<u>Employee Participation Tier</u>	<u>Employee Premium</u>	<u>Estimated Employer Cost</u>	<u>Employee premium as percentage</u>
Employee Only	\$107	\$606	15%
Employee & Spouse/Partner	\$224	\$1,269	15%
Employee & Children	\$187	\$1,060	15%
Employee, Spouse & Children	\$304	\$1,723	15%



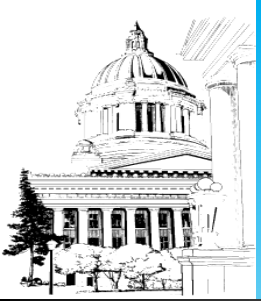
EHB 2242 (2017): SEBB Created and Benefits Procurement Consolidated

- ▶ School employee health care benefits were consolidated under the newly created SEBB, administered by the HCA.
- ▶ Starting January 1, 2020, all districts and charter schools must provide eligible employees with health care and other insurance benefits through the SEBB.
- ▶ Like the Public Employees Benefit Board (PEBB), the SEBB will design and approve insurance benefit plans for school employees, and establish eligibility criteria for participation in these plans.
- ▶ Collective bargaining for school employee health benefits consolidated to a single agreement negotiated with Governor (or designee).



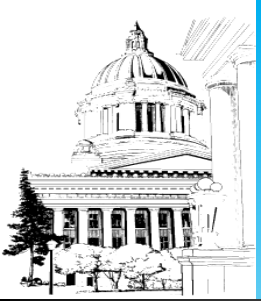
ESSB 6241 (2018): Adjustments made to SEBB law

- ▶ The Legislature stated that the SEBB rate would be equal to the PEBB rate during the 2019-21 biennium, and
- ▶ Stated that the use of a benefit allocation factor would be reviewed by the Legislature for the 2019-21 biennium.
- ▶ Clarified language around the 3:1 premium ratio.
- ▶ Requires a health carrier or an insurance company holding system in the PEBB or SEBB to offer plans in the Washington Health Benefit Exchange in any county where the PEBB or SEBB plan is offered.
- ▶ Technical changes identified during the first year of implementation.



SEBB Progress Report – Accomplishments

- ▶ Collective bargaining tentative agreement reached
- ▶ Provider and Insurer benefit contract negotiations in process
- ▶ Board established preliminary benefit design for medical, dental, vision, life, and disability insurance benefits
- ▶ Board adopted core eligibility policies and administrative rules
- ▶ HCA started building an online enrollment system
- ▶ HCA continuously engaged with key stakeholders about progress

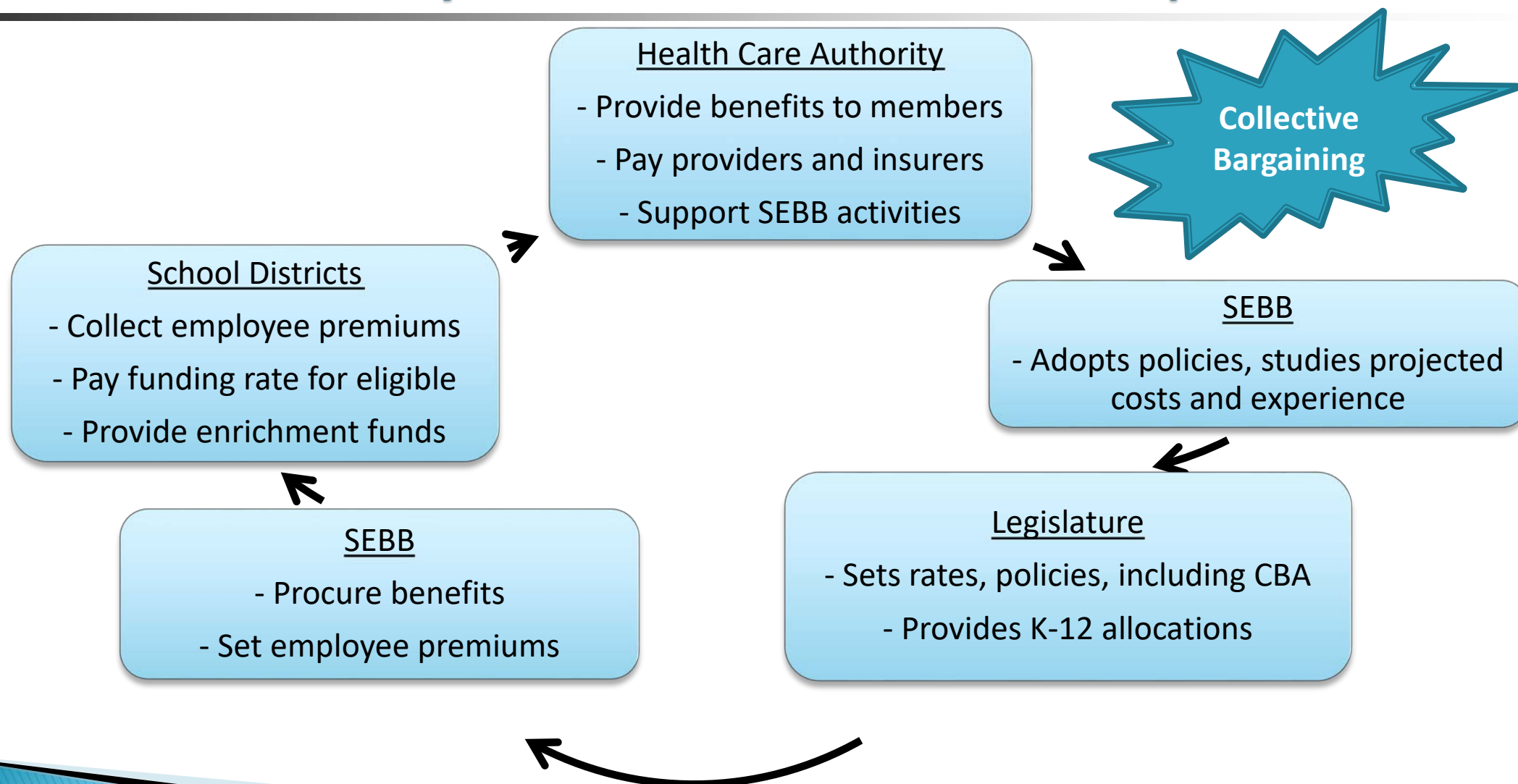


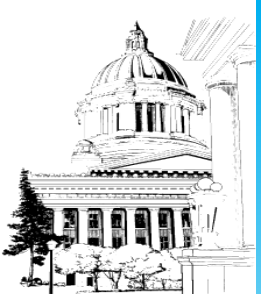
SEBB Progress Report – Upcoming Milestones

- ▶ Continue rate development to inform legislative budget process
- ▶ Final execution of contracts with carriers (likely 2-6 carriers)
- ▶ Complete IT build and perform testing of required integrations (e.g. payroll) with school district partners and carriers
- ▶ After the budget is enacted, Board refinement of benefit designs and setting employee premiums
- ▶ Open enrollment in Fall 2019 (est: October 1 – November 15, 2019)
- ▶ Benefits launch January 1, 2020



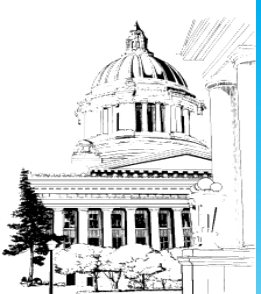
SEBB will follow an annual administrative cycle – but the first turn of the cycle starts without SEBB in operation





School Employees' Health Benefits 2019-21 Proposed Collective Bargaining Agreement

- ▶ Employer Medical Contribution (EMC)
 - 85% of the premium for the UMP Achieve 2 plan
- ▶ Employer pays 100% of the premiums for Dental, Vision, Basic Life, and Basic Long-term Disability (LTD) benefits
- ▶ SmartHealth Wellness
 - Employees can qualify for a \$50 reduction in their 2020 annual medical deductible, or contribution to health savings account, if enrolled in a SEBB consumer directed health plan if they complete the SmartHealth well-being assessment
- ▶ Benefit Allocation Factor (BAF)
 - 1.43 for classified
 - 1.02 for certificated
- ▶ Agreement goes into effect if funding for it is approved by the Legislature



Governor's 2019-21 Proposed Budget Funds the SEBB Collective Bargaining Agreement

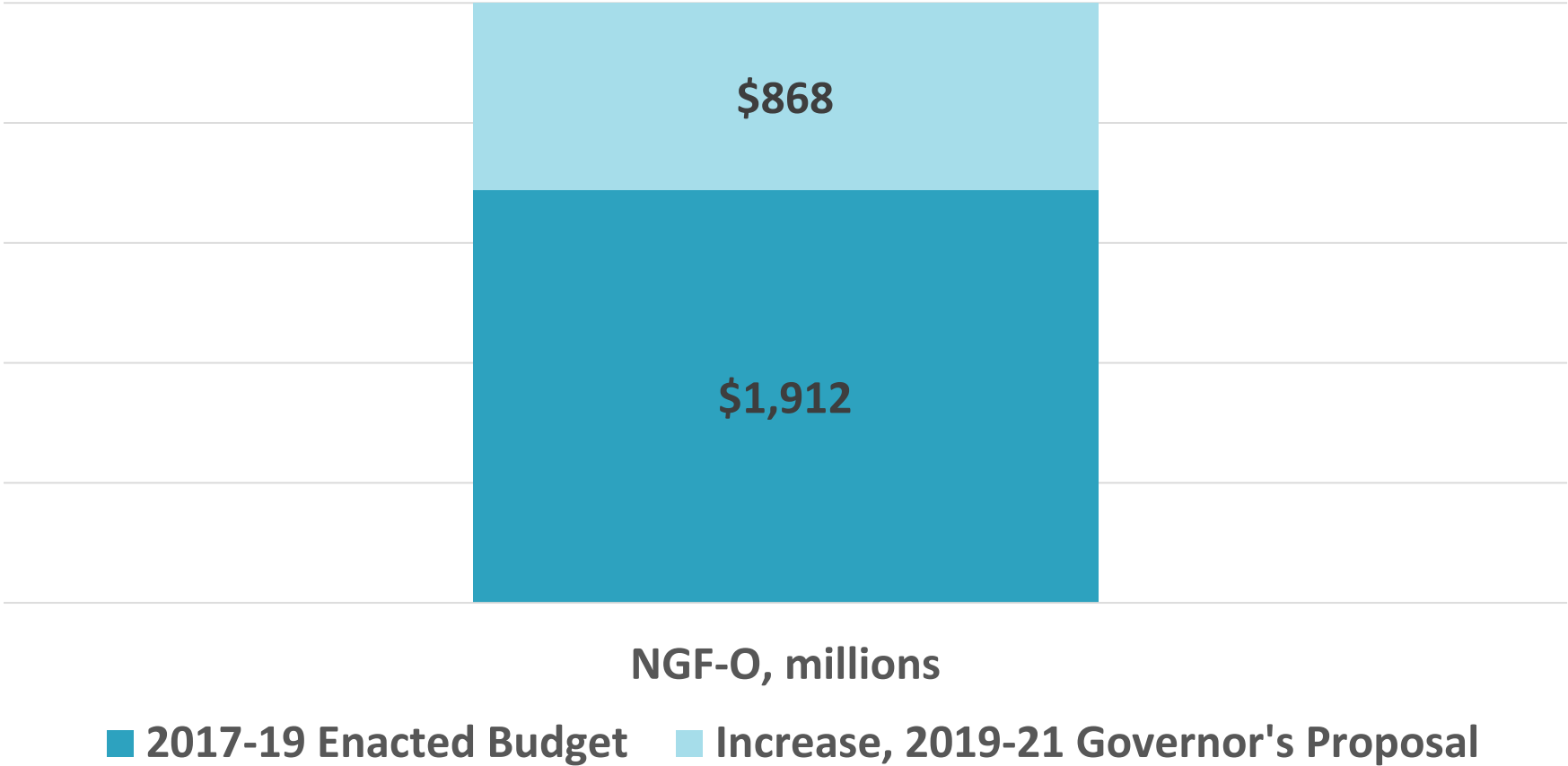
- ▶ Proposes funding consistent with the collective bargaining agreement
- ▶ Provides \$297.0 m to provide rate parity with PEBB (\$843 to \$971 per month).
- ▶ Provides \$338.1 m to increase the funding rate to the amount modelled by Health Care Authority to support initial plan rates at approximate benefit parity per K-12 H.B. coalition bargaining agreement. (funding rate increase from \$971 to \$1,170 per month)
- ▶ Supports a funding rate increase to \$1,195 per month in FY2021.
- ▶ Provides \$232.6 m to implement FTE multipliers for allocations to school districts of 1.43 for classified employees and 1.02 for certificated employees.

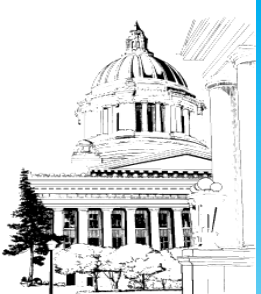
2019-21 Fiscal Biennium: \$867.7 GF-O

4-year Total: \$1,983.2 GF-O



Comparison of Increase in Governor's Proposed increase in K-12 Health Benefits Funding to 2017-19 base





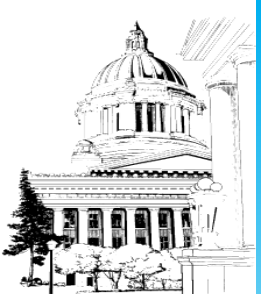
SEBB Cost – Building the SEBB Funding Rate

- ▶ Major terms were negotiated in collective bargaining – legislative options are limited if consistency with the bargaining agreement is maintained.
- ▶ SEBB employer premiums are set in the CBA at 85 percent of an 88 percent actuarial value plan. This is approximately the value of the PEBB UMP Classic plan.
- ▶ Initially SEBB premiums include an amount necessary to build self-insured reserves for UMP participants (expected to initially be a smaller part of the plan membership than PEBB).
- ▶ Estimated covered lives are hard to estimate for SEBB: for example, SEBB enrollees are expected to have more dependents than PEBB, but the number of families with two spouses/domestic partners in SEBB is unknown.
- ▶ Projection prepared by HCA uses same subscribers/covered lives ratio as PEBB.



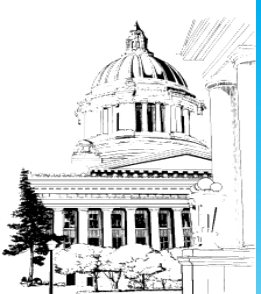
The SEBB Funding Rate is composed of projected benefits, plus retiree, financial, and administrative costs

SEBB Monthly Funding Rate Components	FY2020
Employer Medical Cost per Adult Unit	\$616
Ratio of Adult Units to Subscribers	1.586
Medical Premium Contribution	\$977
Dental Premium	\$80
Vision Premium	\$18
Basic Life Premium	\$4
Basic Long-term Disability Premium	\$2
K-12 Retiree Remittance	\$71
<u>Administration and other costs</u>	<u>\$16</u>
Total Cost Per eligible subscriber per month	\$1,167



SEBB Cost – Benefit Allocation Factor

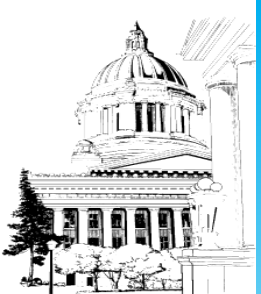
- The amount charged by the SEBB Funding Rate needs to be supported by state and local funds for each SEBB-eligible employee.
- Basic Education state funding is allocated to districts on a modelled per-FTE basis.
- A historical FTE multiplier has of 1.152 for classified staff.
- State-funded classified staff unit allocations are multiplied by a factor of 1.43 in the collective bargaining agreement.
- State-funded certificated instructional staff unit allocations will be multiplied by a factor of 1.02 in the collective bargaining agreement.
- Factors were derived from OSPI data that reported the number of basic education employees working a portion of full-time that suggested 630 hours per year or more.
- 2018 Legislature declared intent to review the use of any multipliers for the 2019-21 biennium.



SEBB District Costs will change in different ways, depending on employee eligibility, pre-SEBB funding policies, and other factors

- District cost for locally-funded staff positions is unknown.
- Districts have independent authority to hire employees and structure their work; hours worked by employees determines eligibility.
- Districts now frequently use local funds to supplement employer health contributions for state-funded positions; those costs are eliminated under SEBB.
- SEBB removes the proration of employer contributions for part-time employees used by many districts; employees are either eligible for a full contribution or not eligible.





The net effects on total costs are very hard to estimate prior to procurement and open enrollment at the end of 2019...

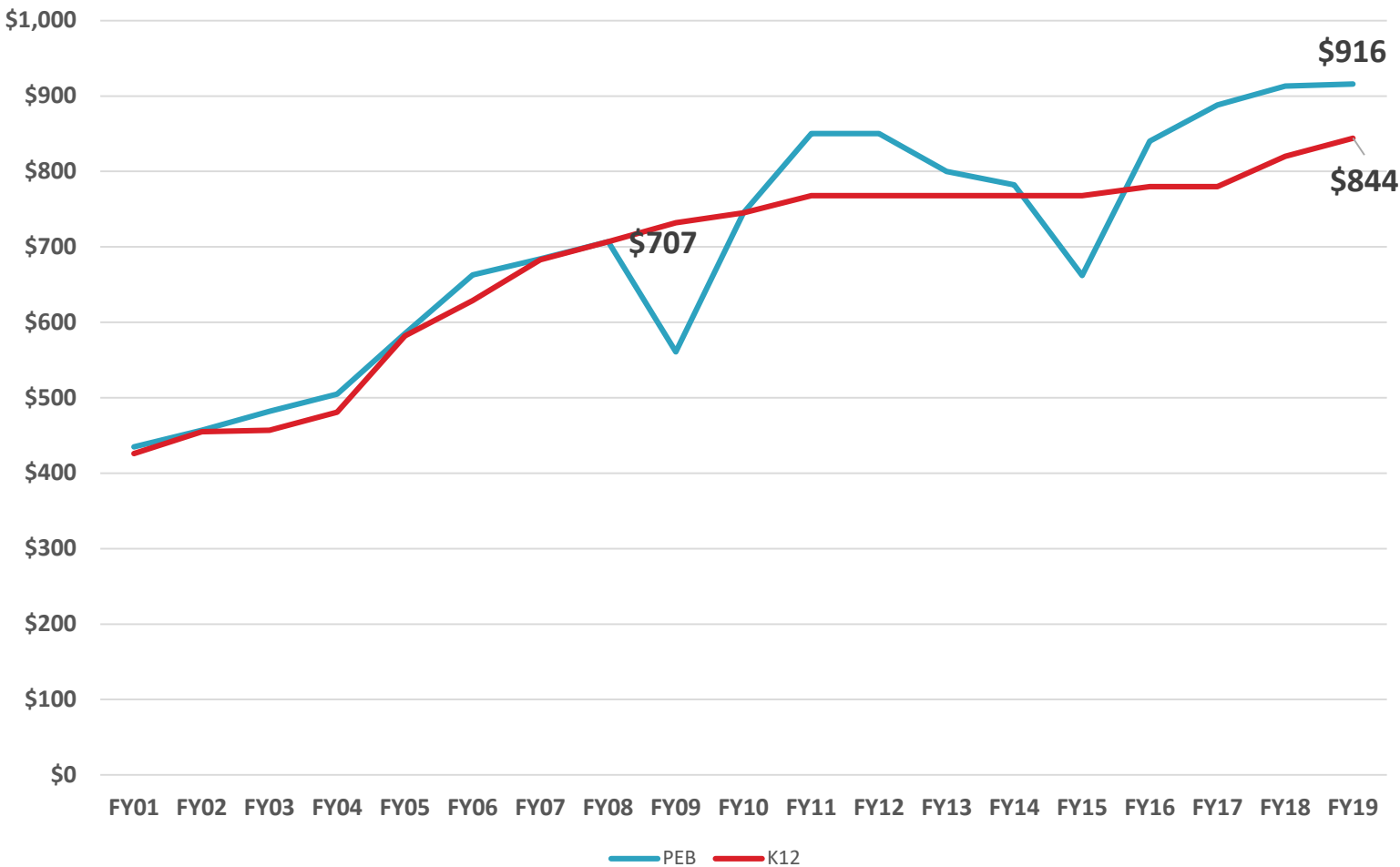
- ▶ Some costs may decrease from:
 - Reduced administrative cost
 - Lower per employee cost due to one large pool
 - Less generous plans being offered to some employees
 - Employees choosing coverage because it costs nothing may waive to avoid premiums
 - Employee with prorated employer contributions will become ineligible and effectively receive none. (>630 hours)
- ▶ Some costs are shifted from employee to employer or vice versa:
 - Some employees, i.e. full-families, will have lower premium cost (and bigger benefits)
 - Some employees, i.e. single coverage, will likely have higher costs (and smaller benefits)
- ▶ Some costs may increase from:
 - Employees with prorated employer contributions will effectively get full contributions (630<>full time)
 - Additional covered lives - employees that had opted out of coverage or only covered themselves will take full family coverage



Appendix



Historical K12 Rates Compared to PEBB Rates



	PEBB	K12	Difference
FY01	\$435	\$426	-\$9
FY02	\$457	\$455	-\$2
FY03	\$482	\$457	-\$25
FY04	\$505	\$481	-\$24
FY05	\$585	\$582	-\$3
FY06	\$663	\$629	-\$34
FY07	\$684	\$683	-\$1
FY08	\$707	\$707	\$0
FY09	\$561	\$732	\$171
FY10	\$745	\$745	\$0
FY11	\$850	\$768	-\$82
FY12	\$850	\$768	-\$82
FY13	\$800	\$768	-\$32
FY14	\$782	\$768	-\$14
FY15	\$662	\$768	\$106
FY16	\$840	\$780	-\$60
FY17	\$888	\$780	-\$108
FY18	\$913	\$820	-\$93
FY19	\$916	\$844	-\$72



SEBB Eligibility by Hours Worked

- *School employees must work, or be anticipated to work, 630 hours per school year in order to be eligible for SEBB coverage.*
- *This is a different proportion of a full-time equivalent (FTE) for different types of employees.*
- *FTE hours worked by week or year are not defined in law but are used for funding purposes. Actual hours worked by employee type may vary by district and collective bargaining agreement.*

Employee Type	FTE	FTE Hours/Year	Eligibility of an FTE
Certificated Instructional Staff	7.5 hours per day for 180 days per year	1,400	0.467
Certificated Administrative Staff	7 hours per day for 220 -260 days per year	1,540 - 2,080	0.303 - 0.409
Classified Staff	40 hours per week for 52 weeks per year	2,080	0.303